Q2 FY24 Results

19th October, 2023
This presentation contains certain forward-looking statements including those describing the Company’s strategies, strategic direction, objectives, future prospects, estimates etc. Investors are cautioned that “forward looking statements” are based on certain assumptions of future events over which the Company exercises no control. Therefore there can be no guarantee as to their accuracy and readers are advised not to place any undue reliance on these forward looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. These statements involve a number of risks, uncertainties and other factors that could cause actual results or positions to differ materially from those that may be projected or implied by these forward looking statements. Such risks and uncertainties include, but are not limited to: growth, competition, acquisitions, domestic and international economic conditions affecting demand, supply and price conditions in the various businesses in the Company’s portfolio, changes in Government regulations, tax regimes and other statutes, and the ability to attract and retain high quality human resource.
Macro Economic Context
Macro Economic Environment

Global Economy remains weak

- **2023 Global GDP growth** estimated at 3.0% (vs 3.5% in 2022);
  - *Growth in Advanced Economies slowing down*
  - *China & EU facing structural weakness*
- **Tight monetary conditions** weighing on investment and activity
  - *Advanced economies near peak of rate hike cycle; “higher for longer”*
- **Geo-political dynamics** pose downside risk to growth

India remains relatively better placed but growth to be lower than LY

- **FY24 GDP** expected to grow by 6.5% (vs 7.2% in FY23)
- **Inflation** in FY24 expected to drop to ~5.4% Vs 6.7% in FY23
  - *Sharp spike in Food inflation in Jul’23; remains elevated*
  - *Crude oil prices up ~25% over the last three months*
- **Subdued consumer demand**
  - *Rural/Value segment weak; Discretionary categories also remain muted*

Source: IMF WEO, RBI
Elevated Food Inflation & below-normal Monsoon

Subdued Consumer Demand (Rural / Value Segment)

Rainfall & Reservoir levels (-)6% LPA; Spatial/Temporal skews; Recovery in Kharif sowing

2W, compact car and SUV sales (YoY%)

IIP Infra. and Consumer Durables (YoY%)

Housing Credit (YoY%)

Food inflation remains elevated (YoY%)

Source: SIAM, RBI, MOSPI, IMD
India Macro

Key Positives
- Moderating Inflation
- Strong tax collections
- Buoyancy in services and uptick in consumer sentiments
- Stable growth outlook

Key Monitorables
- Subdued Consumption
- Crude oil prices
- Global growth & external trade
- Private capex yet to pick up

Heightened Uncertainty
- Geopolitical dynamics
- Commodity price volatility
- Climate Emergency

Uncertainty on Consumption Demand
Q2 FY24 Results

Key Highlights
Key Highlights: Q2 FY24

For the quarter ended 30th Sept, 2023, YoY change

Gross Revenue
excl. Wheat & Rice exports

▲ +8.9%

EBITDA
excl. Paperboards, Paper & Packaging Segment

▲ +9.5%

Profit After Tax

▲ +10.3%
Key Highlights: Q2 FY24

- **Strong performance continues in FMCG – Others; Segment Revenue up 8.3% YoY on a high base; 2-year CAGR +14.5%**
  - Atta, Spices, Personal Wash and Agarbatti drive growth amidst relatively subdued consumer demand environment
  - Classmate Notebooks and Pens witnessed strong growth on YoY basis
  - Segment EBITDA margins expanded 150 bps YoY to 11.0%
  - Segment PBIT up 36.8% YoY

- **Resilient performance in Cigarettes Segment**
  - Net Segment Revenue up 8.5% YoY; Segment PBIT up 8.0% YoY on a high base
  - 2 Yr. CAGR: Net Segment Revenue +15.7%, Segment PBIT +15.5%

- **Stellar performance in Hotels Business with record high second quarter performance; Segment Revenue and PBIT up 21% and 50% YoY respectively on a high base**
  - Strong growth in ARRs across properties; Occupancy largely flattish (fewer wedding dates, pre-season renovations)
  - Segment EBITDA margin up 170 bps YoY to 30.7% driven by higher RevPAR, structural cost interventions & operating leverage
  - Exclusively curated and served from the best of India’s culinary heritage at the prestigious G20 summit, Bharat Mandapam, New Delhi
  - Scheme of Demerger approved by Board in August 2023; progressing as per scheduled timelines
Key Highlights: Q2 FY24

- **Agri Business** Segment Revenue up 26.4% YoY (excl. Wheat & Rice exports) driven by Value Added Agri products & Leaf Tobacco
  - Segment PBIT up 3.3% YoY (2 Yr. CAGR +9.7%)
  - Geopolitical tensions & climate emergencies raise concerns on food security and food inflation; trade restrictions imposed by Govt. on agri commodities limit business opportunities for the segment

- **Performance in Paperboards, Paper and Packaging Segment** reflects the impact of low priced Chinese supplies and muted demand in export markets, sharp reduction in global pulp prices and high-base effect; domestic demand relatively subdued in certain discretionary categories
  - Sharp drop in net sales realisation & global pulp prices witnessed during the quarter are likely to have bottomed out; green shoots of revival in demand were visible towards the end of the quarter
  - The project for augmentation of in-house chemical pulp capacity by appx. 20% completed during the quarter; will further enhance substitution of imported pulp & enable reduction in operating costs
  - Integrated business model and strategic interventions (in-house pulp, VAP, Digital, HPRB) partly mitigate pressure on margins
FMCG Others
FMCG Others – Q2 FY24

- **Segment Revenue up 8.3% YoY; 2 Yr. CAGR +14.5%** on a high base; Q2 FY23 had witnessed sharp sequential growth
  - Strong YoY growth in Atta, Spices, Personal Wash and Agarbatti
  - Notebooks & Pens continues to witness strong traction
- **Rapid scale up in Alternate Channels**
  - Channel specific business plans, collaborations and format-based assortments enable robust traction
- **Commodity price deflation** on YoY basis; sequential uptick in certain commodities (viz. wheat, maida, sugar, potato)
- Increasing competitive intensity including from local / regional players in the backdrop of commodity price deflation
- **Marketing investments** stepped up

![FMCG Segment Revenue](image)

<table>
<thead>
<tr>
<th>Rural Markets</th>
<th>Direct outlet servicing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Scale up of stockists network (3.4x^)</td>
<td>1.25x^</td>
</tr>
<tr>
<td>Market Coverage</td>
<td>Total outlet servicing</td>
</tr>
<tr>
<td>2.0x^</td>
<td>1.12x^</td>
</tr>
</tbody>
</table>

^of pre pandemic levels
Commodity Price Trends

Indexed market rates

A Mixed Bag
**Q2 Segment EBITDA margins at 11.0% up 150 bps YoY**

- Margin expansion driven by multi-pronged interventions viz. premiumisation, supply chain agility, judicious pricing actions, digital initiatives and strategic cost management
Purposeful Innovation

Tedhe Medhe | Bingo! Nachos
Cream & Onion | Chilli Limon

Sunfeast YiPPee!
Magic with Millets

Bounce Day & Night
Choco & Vanilla

Sunfeast Fantastik
Roast Almond | Choco Almond

Aashirvaad Svasti
Paneer Slices

Recent Launches

ITC Master Chef Frozen Snacks
Paneer Pakoda | Onion Rings

Sunrise Spices
Chicken Masala

Savlon Handwash
Herbal Sensitive

Engage L’amante
Intensity

Classmate
Spin Ball Pen

Mangaldeep
Flora
Deepening Consumer Engagement

Leveraging Emerging Trends

Be in this ad with Shah Rukh Khan
This could be YOU

HAR DIL KI FANTASY
Engagements: 7 lakh+
Scan to try now!
darkfantasyadwithsrk.in

Targeted Brand Collaboration

Fiama Golden Sandalwood Oil with Patchouli Gel Bar
₹40°
75g
Leveraging Special Occasions to enhance Consumer Connect
High Intensity Activations

Regional taste and preferences

Sharpening Value Proposition

Cohort based marketing

IF YOUR PET IS ONE OF THESE.......
FMCG Cigarettes
FMCG Cigarettes – Q2 FY24

Net Segment Revenue* up 8.5% and Segment PBIT up 8.0% YoY on a high base
- 2 Yr. CAGR: Net Segment Revenue +15.7%, Segment PBIT +15.5%

Portfolio Vitality | Product Availability | Execution Excellence
- Several differentiated variants launched recently continue to perform well
- Market standing reinforced by fortifying the product portfolio/ market interventions & agile execution
- Innovation & democratising premiumisation across segments

Sharp cost escalation (Leaf Tobacco & certain other inputs) + increase in taxes → largely mitigated through improved mix, strategic cost management and calibrated pricing

Relative stability in taxes, backed by deterrent actions by enforcement agencies, enables continued volume recovery from illicit trade

* Net of Excise Duty/NCCD on Sales
FMCG Cigarettes

Innovation

• Classic Connect
• Gold Flake SLK
• American Club Clove Mint
• Gold Flake Indie Mint

Portfolio Fortification

• Gold Flake Neo SMART Filter
• Wills Deluxe
• Bristol Deluxe FT
• Flake XL
• Flake Skipper

Recent Introductions

• Classic Alphatec
• Classic Verve Balanced Taste
• GF Glostar
• American Club Smash
• American Club Clove Magik
• Flake Snap
• Players Rush
• Capstan Victory
Hotels Business

ITC HOTELS
RESPOINSBILE LUXURY

HONORED TO HAVE CURATED AND SERVED
FROM THE BEST OF INDIA'S CULINARY HERITAGE
AT THE G20 SUMMIT.
BHARAT MANDAPAM, NEW DELHI.
Hotels – Q2 FY24

Segment Revenue

649 cr.
(+21%; 1.5x of Q2 FY20)

Segment Results

126 cr.
(+50%)

- **Strong growth in ARRs** across properties
  - *Occupancy flattish YoY mainly due to renovations & relatively fewer wedding dates.*
- Healthy pipeline of management contracts under Mementos, Welcomhotel, Storii, Fortune and WelcomHeritage brands
  - *Phased openings over the next few quarters*
- **Segment EBITDA margin expanded by 170 bps YoY to 30.7%;** margin expansion driven by higher RevPAR, curated packages, finest F&B offerings and strategic cost management initiatives
- Scheme of Demerger approved by Board in August 2023; progressing as per scheduled timelines.
  - *Scheme submitted to stock exchanges for requisite approvals.*
Curated from the best of India’s culinary heritage at G20 summit, New Delhi

The Largest and the most exclusive catering in Hospitality ever
Curated offerings to drive demand

Special Occasions leveraged

Marketing campaigns

Celebrations on Gourmet Couch

THANK YOU DEAR TEACHERS

For igniting our imagination, being our guiding light and instilling a love for learning.

Express your gratitude to your mentors by ordering them an exquisite selection of culinary indulgences from Gourmet Couch via the ITC Hotels App.

URBAN re: TREATS
EXCLUSIVE DESTINATIONS | EXCLUSIVE OFFERS
LIMITED PERIOD OFFER.

CITY GETAWAYS

ONAM SADHYA

TRAILS AND TALES
Executing ‘Asset Right’ Strategy

Bouquet of brands catering to relevant need spaces (21 properties added in the last 18 months)

Strong pipeline of management contracts
Agri Business
Revenue up 26.4% (excl. Wheat & Rice exports) driven by Value Added Agri & Leaf Tobacco

- Strong customer relationships & agile execution in Leaf Tobacco & Value Added Agri exports continue to drive growth
- Strategic sourcing support to Branded Packaged Foods Businesses – Wheat, Dairy, Beverages & Spices
- Stock limits on wheat, ban on non-basmati rice exports and export duty on parboiled rice, limited business opportunities for the Agri Business
- State-of-the-art facility\(^\text{V}\) at Mysuru for manufacture and export of Nicotine & Nicotine Derivative products conforming to US & EU pharmacopoeia standards
  - Commissioned during the quarter; exports expected to commence over the next few months
  - Distinctive capabilities in crop development + complete traceability & sustainability assurance → competitive advantage

\(^{\text{V}}\) Being undertaken by ITC IndiVision Limited (IIVL), the Company’s wholly owned subsidiary

Segment Revenue
3931 cr. ▼ 1.7%

Segment Results
357 cr. ▲ 3.3%

Robust growth in Value Added Agri Turnover

\(\text{c. denotes 2 yr. CAGR}\)
Paperboards, Paper & Packaging
Performance reflects impact of low priced Chinese supplies in global markets, drop in Chinese domestic demand and slump in EU markets exerted pressure on exports; sharp reduction in global pulp prices and high base effect

- Domestic demand subdued in certain discretionary categories
- Sharp drop in realisations and global pulp prices → likely to have bottomed out
- Green shoots of demand revival visible towards the quarter end

Chemical pulp capacity expansion (~+20%) project completed → substitution of imported pulp + reduction in operating costs

Sharp escalation in wood & coal costs; Integrated business model & strategic interventions (in-house pulp, VAP, Digital, HPRB) partly mitigate pressure on margins

New business development being accelerated offering innovative and customised solutions, with special focus on consumer electronics, QSR and personal care products

Sustainable Products portfolio continues to witness strong growth

- State-of-the-art premium Moulded Fibre Products manufacturing facility^ being set up in Badiyakhedi, Madhya Pradesh.

^ Being undertaken by ITC Fibre Innovations Limited, the Company’s wholly owned subsidiary
Financials
### Key Financials – Q2 FY24

<table>
<thead>
<tr>
<th>Rs. Cr.</th>
<th>Q2 FY24</th>
<th>Q2 FY23</th>
<th>YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross Revenue</td>
<td>17,549</td>
<td>16,971</td>
<td>3.4%</td>
</tr>
<tr>
<td>Net Revenue</td>
<td>16,357</td>
<td>15,976</td>
<td>2.4%</td>
</tr>
<tr>
<td>EBITDA</td>
<td>6,042</td>
<td>5,864</td>
<td>3.0%</td>
</tr>
<tr>
<td>PBT</td>
<td>6,514</td>
<td>5,939</td>
<td>9.7%</td>
</tr>
<tr>
<td>PAT</td>
<td>4,927</td>
<td>4,466</td>
<td>10.3%</td>
</tr>
</tbody>
</table>

*Standalone basis*

*+8.9% YoY (excl. Wheat & Rice exports)*

*+9.5% YoY (excl. Paperboards, Paper & Packaging Segment)*
### Segment Revenue Q2 FY24

#### FMCG Cigarettes
- Net Segment Revenue* up 8.5% YoY
  - 2 Yr. CAGR at 15.7%

#### FMCG Others
- Segment Revenue up 8.3% YoY on high base
  - 2 Yr. CAGR at 14.5%
- Staples, Notebooks & Pens, Personal Wash & Agarbatti drive growth amidst relatively subdued consumer demand environment

#### Hotels
- Best-ever Q2, Revenue up 21% YoY on high base

#### Agri Business
- Revenue up 26.4% YoY (excl. Wheat & Rice exports)

#### Paperboards, Paper & Packaging
- Low priced Chinese supplies and muted demand in export markets
- Sharp reduction in global pulp prices and high base effect

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<table>
<thead>
<tr>
<th></th>
<th>FY24 (Rs. cr.)</th>
<th>FY23 (Rs. cr.)</th>
<th>YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Segment Revenue</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) FMCG</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cigarettes</td>
<td>7658</td>
<td>6954</td>
<td>10.1%</td>
</tr>
<tr>
<td>- Others</td>
<td>5292</td>
<td>4885</td>
<td>8.3%</td>
</tr>
<tr>
<td><strong>Total FMCG</strong></td>
<td><strong>12949</strong></td>
<td><strong>11839</strong></td>
<td><strong>9.4%</strong></td>
</tr>
<tr>
<td>b) Hotels</td>
<td>649</td>
<td>536</td>
<td>21.2%</td>
</tr>
<tr>
<td>c) Agri Business</td>
<td>3931</td>
<td>3997</td>
<td>-1.7%</td>
</tr>
<tr>
<td>d) Paperboards, Paper &amp; Packaging</td>
<td>2070</td>
<td>2288</td>
<td>-9.5%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>19600</strong></td>
<td><strong>18659</strong></td>
<td><strong>5.0%</strong></td>
</tr>
<tr>
<td>Less : Inter - Segment Revenue</td>
<td>2051</td>
<td>1688</td>
<td>21.5%</td>
</tr>
<tr>
<td><strong>Gross Revenue from sale of products and services</strong></td>
<td><strong>17549</strong></td>
<td><strong>16971</strong></td>
<td><strong>3.4%</strong></td>
</tr>
</tbody>
</table>

* Net of Excise Duty/NCCD on Sales
## Segment Results Q2 FY24

<table>
<thead>
<tr>
<th>Rs. cr.</th>
<th>FY24</th>
<th>FY23</th>
<th>YoY growth</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Segment Results</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a) FMCG - Cigarettes</td>
<td>4782</td>
<td>4429</td>
<td>8.0%</td>
</tr>
<tr>
<td>- Others</td>
<td>439</td>
<td>321</td>
<td>36.8%</td>
</tr>
<tr>
<td><strong>Total FMCG</strong></td>
<td>5220</td>
<td>4750</td>
<td>9.9%</td>
</tr>
<tr>
<td>b) Hotels</td>
<td>126</td>
<td>84</td>
<td>49.8%</td>
</tr>
<tr>
<td>c) Agri Business</td>
<td>357</td>
<td>345</td>
<td>3.3%</td>
</tr>
<tr>
<td>d) Paperboards, Paper &amp; Packaging</td>
<td>316</td>
<td>630</td>
<td>-49.9%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6019</td>
<td>5809</td>
<td>3.6%</td>
</tr>
<tr>
<td>Less : i) Finance Cost</td>
<td>11</td>
<td>11</td>
<td></td>
</tr>
<tr>
<td>ii) Other un-allocable (income) net of un-allocable expenditure</td>
<td>-505</td>
<td>-140</td>
<td></td>
</tr>
<tr>
<td><strong>Profit Before Exceptional Items &amp; Tax</strong></td>
<td>6514</td>
<td>5939</td>
<td>9.7%</td>
</tr>
</tbody>
</table>

- **FMCG Cigarettes**
  - Segment PBIT up 8.0% YoY
    - 2 Yr. CAGR at 15.5%
- **FMCG-Others**:
  - Segment EBITDA at 581 cr. (+25% YoY)
  - EBITDA margin at 11.0%
    - Up 150 bps YoY
- **Hotels**:
  - EBITDA margins expanded by 170 bps YoY
- **Paperboards, Paper & Packaging**:
  - Sharp drop in realisations + increase in input costs partly offset through strategic interventions (in-house pulp, VAP, Digital, High Pressure Recovery Boiler)
ITC – A Global Exemplar in Sustainability
Impactful Social Performance

ITC e-Choupal
4 Million Farmers empowered

Afforestation
Over 11,13,000 acres greened

Watershed Development
Over 1.5 million acres covered

Livestock Development
Over 21.7 lac milch animals covered

Solid Waste Management
Well-being Out of Waste programme covers 57.2 lac households

Women Empowerment
1.39 lac poor women benefitted

Skilling & Vocational Training
Skilled over 1.05 lac youth

Primary Education
Reaching over 12.7 lac Children

Mother & Child Health
Over 6.8 lac beneficiaries covered*

Climate Smart Agriculture
23 lac acres covered*

*Based FY23
Strategic Interventions to Combat Climate Change

- **De-Carbonization**
- **Climate Adaptation and Resilience**
- **Circularity**
- **Building Green Infrastructure**
- **Inclusive Value Chains**

Sustainability Targets 2030

**Raising the Bar**

- **Renewable Energy**: 50%
- **Specific GHG Emissions**: Down 50%
- **Recyclable Plastic Packaging**: 100%
- **Plastic Neutrality**: 100% Collection since FY22

**Water Security for All**

- **5x of ITC’s Net Consumption**
- **AWS Certification** for High Water Stressed Sites by 2035

**Biodiversity & Agriculture**

- 1 million acres
- Biodiversity Conservation
- Climate Smart Village
- 3 million acres
- Social Farm and Forestry
- 1.5 million acres
- Climate Smart Village

Proactively work towards achieving ‘Net Zero’ emission status

**Supporting Sustainable Livelihoods**: From 6 million to 10 million
Sustainability – Highlights

• Exceeded commitment on **Plastic Neutrality**; collected and sustainably managed over 60,000 MT of plastic waste in FY23

• **60% critical Tier - 1 suppliers trained on ESG** related aspects during FY23

• Best-in-class ESG Ratings:
  
  - **AA rating by MSCI** for the 5\(^{th}\) consecutive year; **A- Leadership score under CDP ratings** - ahead of Asia & Global average; Continues to be included in the **Dow Jones Sustainability Emerging Markets Index** - a reflection of being a sustainability leader in the industry

• The only enterprise of comparable dimensions globally to have achieved and sustained the three key global indices of environmental sustainability of being ‘**water positive**’ (for 21 years), ‘**carbon positive**’ (for 18 years), and ‘**solid waste recycling positive**’ (for 16 years)

• **Water Stewardship:**
  
  - **ICML Malur → first F&B unit in Asia and Paper mill at Kovai → second site in the world** to receive **Platinum level certification** by AWS (Alliance for Water Stewardship)

• **Bio Diversity:**
  
  - Winner of the first **UNDP Mahatma Award for Biodiversity** → in recognition of efforts in promoting biodiversity conservation through intensive community engagement
• Strong double digit sequential growth in Revenue
• Healthy Total Contract Value (TCV) signings; strong pipeline
• Investments continue in Capability building in strategic focus areas, sales org. & infrastructure.

Q2 FY24 EBITDA margin @ upper-end of mid-tier IT cos.
ITC: Enduring Value

A passion for Profitable growth... in a way that is Sustainable... and Inclusive.
<table>
<thead>
<tr>
<th>Product/initiative</th>
<th>Link</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bingo! on Instagram</td>
<td><a href="https://www.instagram.com/bingo_snacks/">https://www.instagram.com/bingo_snacks/</a></td>
</tr>
<tr>
<td>YiP Pee! on Instagram</td>
<td><a href="https://www.instagram.com/sunfeast_yippee/">https://www.instagram.com/sunfeast_yippee/</a></td>
</tr>
<tr>
<td>Aashirvaad on Instagram</td>
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<td>Sunfeast Dark Fantasy on Instagram</td>
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<td>Mom’s Magic on Instagram</td>
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<td>Classmate on Instagram</td>
<td><a href="https://instagram.com/classmatebyitc/">https://instagram.com/classmatebyitc/</a></td>
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<tr>
<td>ITC : Creating Enduring Value for India</td>
<td><a href="https://youtu.be/VwnE4eN_BTk">https://youtu.be/VwnE4eN_BTk</a></td>
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